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## Mitterrand's France: Near-Term Outlook

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NIE 22-83  
22 March 1983

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## MITTERRAND'S FRANCE: NEAR-TERM OUTLOOK

Information available as of 21 March 1983 was  
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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

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The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

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## KEY JUDGMENTS

Municipal elections this month, although contested largely on local issues, have been widely interpreted as a referendum on Francois Mitterrand's 22-month Socialist stewardship of France, particularly his economic austerity program's mixed results and uncertain prospects. The outcome fell well short of the unequivocal rejection of Mitterrand's policies sought by the opposition; but it served as a warning that the Socialists' domination of the French political scene could be reversed if their management of the economy does not measurably improve before the national elections in 1986. Thus, although Mitterrand has been able to sustain a domestic consensus for his foreign and defense policies by skillfully subordinating Socialist concerns to broader and more traditional French interests, it will be France's economic fortunes that ultimately will determine the political viability of the Socialist regime.

Despite waning public confidence in his economic policies, Mitterrand is unlikely to abandon the basic thrust of his Socialist agenda and its major objectives of redistributing economic power and revitalizing French industry under the direction of the state. However, the prospects for continued decline in industrial production and investment, persistence of the external deficit, and high rates of inflation and unemployment leave the government little room to maneuver. We expect the government to take tough measures to reduce consumer purchasing power and control government spending. These should afford the government a measure of success in reducing inflation and lowering the trade deficit. The devaluation of the franc was a necessary but, at best, temporary palliative. Inflation will continue to exceed that of West Germany, and pressure for another realignment within the European Monetary System (EMS) could develop within the year.

On defense matters, the government will continue to give priority to modernizing strategic nuclear forces and will reject attempts to include them in arms control negotiations in the absence of dramatic reductions by the superpowers. Paris also will proceed with plans for deploying by the early 1990s an improved tactical nuclear missile able to reach targets in Eastern Europe from French territory. France's conventional forces, however, are likely to suffer from cutbacks in real growth of the defense budget, and we believe operational readiness and combat ability will be adversely affected.

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In foreign affairs, Mitterrand will seek a limited revival of France's dormant dialogue with Moscow, fearing eventual isolation if US-Soviet relations improve and unwilling to cede to West Germany the role of preeminent interlocutor with the USSR in Europe. Prospects for significant movement in Franco-Soviet relations, however, are limited: for example, differences persist with the Soviets over Afghanistan, Poland, and human rights; and Paris and Moscow will remain at odds over Soviet efforts to take account of French nuclear systems in arms control negotiations. France will, nonetheless, continue to press its economic relations with Moscow and seek to redress its trade imbalance, both because it views the USSR as a potentially lucrative market for agriculture and high-technology exports and because it believes that East-West economic relations can have a moderating effect on Soviet behavior.

Paris will remain committed to participate in the studies on the security implications of East-West trade under way in NATO and other forums in the hope that a Western consensus will help constrain future unilateral US restrictive efforts in this area. However, it will continue to resist the appearance of US or Alliance "direction" of national economic policies, especially if it believes its ability to compete for Eastern markets will be hampered. While willing to apply tighter controls on technology transfer in the Coordinating Committee for East-West Trade Policy (COCOM), Paris will seek to narrow the definition of what is strategically "sensitive."

Mitterrand's concern about the Soviet military buildup could provide impulse and motivation for enlarging the scope of French military cooperation with NATO, although well short of reintegration into its military command structure. The French may believe it is in their interest, for example, to broaden discreet participation in Alliance exercises and to improve bilateral cooperation on security matters with the United States, although preferring in the latter instance to keep sensitive issues within military or intelligence channels. The Gaullist party under Jacques Chirac has been stressing domestically its ties with the United States, and the Socialist government also may believe it is good politics to strengthen its relationship with the United States.

France will continue to be preoccupied by fears that abandonment of NATO's dual-track decision could leave it exposed to Soviet military and political pressures and perhaps eventually even to force it toward an uncomfortably close alignment with Washington. Intermediate-range nuclear force (INF) deployment—and its coupling effect on US and European defense—will remain France's primary concern. The

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French, however, are likely to see a balance of US and Soviet INF at reduced numbers as fulfilling the same objective. They would not, however, support a compromise solution that either envisaged a delay in deployment or the exclusion of Pershing IIs from the missile mix. French anxieties about pacifist trends in Germany have not been entirely allayed by Kohl's victory; Mitterrand's overall approach to Germany will stress the necessity for European unity predicated on the European Community (EC) and on the possibilities, although limited, for enhanced bilateral security cooperation.

In the Third World, Mitterrand believes that his policies serve his domestic economic requirements and complement his stand on East-West issues. He remains firmly wedded to the notion that Soviet gains can be halted or reversed through diplomatic, economic, and occasional military support to "progressive" regimes. Since Mitterrand's election, Socialist rhetoric has given way somewhat to more pragmatic and traditional French motivations, especially in Africa. Despite resentment over what some French officials perceive to be efforts by the United States to expand its influence—and its exports—in Africa at French expense, Mitterrand will be concerned about the potential for Soviet, Cuban, and Libyan meddling there. Thus, Paris will continue to seek discreet cooperation with Washington, notably with regard to Chad, Namibia, and Zaire.

In the Middle East, Paris will seek to maintain its traditional influence in Lebanon and remain firm in its demands for withdrawal of foreign forces. Mitterrand believes that only the United States is in a position to extract concessions from Israel and that French interest in obtaining a general peace settlement would be best served by encouraging President Reagan's initiative. Should that initiative stall, Paris will seek to develop an Arab consensus on an alternative. Elsewhere in the region, the French probably will continue their strong support of Iraq in its war with Iran, despite the uncertainties of recouping its substantial investments in Iraq. Political and economic imperatives will sustain French arms sales, particularly to conservative Persian Gulf governments. Paris will favor continued discreet Western military cooperation in the Indian Ocean, although insisting that it remain outside the NATO context.

Mitterrand's tentative search for a peacemaker role in Central America and reluctance to be identified with US policies there will, at times, complicate US efforts in the region. However, we believe Paris will be content to remain a marginal factor, and we think it unlikely that it will, in the next year or two, launch any dramatic unilateral



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initiatives. Although Paris will probably fulfill its 1981 arms contract with Nicaragua, doubts among some Socialist leaders about the direction of Sandinista policies—and about Nicaragua's willingness to distance itself from the Soviets and Cubans—will make new arms sales unlikely. The French will continue their dialogue with Cuba and urge a lessening of tension between Washington and Havana as essential for peace in the region.

French policy in Asia has also been modified by increasingly pragmatic considerations. Threatened economic retaliation by South Korea has blunted Paris's earlier intention to recognize North Korea. Similarly, veiled warnings by members of the Association of Southeast Asian Nations (ASEAN) that French markets in that area would suffer were Paris to move closer to Hanoi have helped to limit any French-Vietnamese rapprochement. And, although Mitterrand's visit to China this spring will provide a clearer indication of the future direction of French-Chinese relations, economic motives will also predominate here. The French will be particularly anxious to complete agreement on a proposed sale of nuclear power reactors to China.

France will remain a difficult ally, eager to demonstrate it is not sacrificing the Gaullist legacy of "independence" to reliance on American leadership. This will be particularly true in economic affairs. France, for example, will resist efforts it believes are aimed at inhibiting French trade with the East; within the European Community, it will continue to be the most vocal advocate of a more restrictive trade policy, primarily to improve its own deteriorating trade balance; and it is likely to become increasingly assertive in attacking US agricultural export policies in competing third-country markets and may seek EC agreement to restrict certain US agricultural exports to the Community as well. Mitterrand's primary concern, however, will be his fear of Soviet designs in Europe, and his first priority will be the maintenance of European unity and a European security balance—interests that favor a broad convergence of French and US views on East-West security matters. Outside the East-West context, Paris will continue to see both tactical and longer term advantages in close—and closely held—cooperation with Washington in the Middle East and Africa.

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## DISCUSSION

1. Nearly 22 months after his election as President, Francois Mitterrand is struggling to reconcile his ambitious plans for a "Socialist transformation" of France with his growing appreciation of domestic and international constraints on his policies. Municipal elections in March, although contested largely on local issues and personalities, have been widely interpreted as a referendum on Mitterrand's Socialist stewardship of France; and the outcome was largely a reflection of public disenchantment with his management of the economy. In defense and foreign affairs, where Mitterrand has strong personal views and enjoys a relatively free hand, he has had little trouble in accommodating or subordinating specifically Socialist concerns to broader (and more traditional) French political, security, and economic interests. With a firmer consensus behind him on foreign rather than domestic affairs, Mitterrand will be more inclined than his predecessors to work closely with the United States on East-West security issues, the Middle East, and Africa. Friction, however, over economic issues periodically will mar an otherwise improving US-French relationship.

2. Although the election results fell well short of the clear rejection of Mitterrand's policies sought by the opposition, it served as a warning that the Socialists' domination of the French political scene could be reversed if their management of the economy does not measurably improve before the legislative election in 1986. The election outcome could have a nearer term impact on national political alignments as well. Waning political support for the Communists could prompt Mitterrand to explore the possibility of an "opening" to the center-left—including perhaps the offer of ministerial posts to a few prominent centrists—in an attempt to defuse some of the business community's hostility and recapture the support of moderate voters prior to national elections in 1986. Although some leftwing Socialists would oppose even a limited "tilt" toward the center, few would go so far as to break with Mitterrand. Mitterrand might also be tempted to push through a proportional representation system for

the National Assembly, thus reducing the Socialists' need to depend on uneasy electoral alliances with the Communists.

3. Any such move to the center could lead to an open crisis in the government coalition. Communist leader Marchais already has warned the government not to use the leftist election setback as a pretext to "veer toward the right." At a minimum, the poor Communist showing and subsequent downgrading of Communist participation in the Cabinet will rekindle debate within the Communist leadership over the wisdom of participation in a government that, in the eyes of some party officials and rank-and-file activists, may be proving a liability. As Socialist policy has moved to the right (from the Communist perspective) in terms of both economic policy and relations with the Alliance, it has complicated Communist efforts to mobilize the once-disciplined Communist electorate, to criticize Socialist policies, and to stake out independent positions.

4. Although we think it unlikely the Communists will soon opt to quit the coalition or that Mitterrand will dismiss them outright, the tensions likely to arise from their contradictory economic prescriptions eventually could persuade both sides that the Alliance is no longer viable. A Communist demand for a return to expansionist economic policies, for example, including a new round of nationalizations, would almost certainly be rejected by Mitterrand. Should the Communists leave, their aim would be to rally what they perceive as growing worker discontent with Socialist domestic policies and to attack more openly Mitterrand's stand on East-West security issues. The Communists could cause trouble on the labor front, but Mitterrand probably would not be seriously threatened. Non-Communist unions would reject participation in Communist-backed "political strikes," and Communist deputies probably would still back the government on some social issues. Although the departure of Communist ministers and the consequent need to guard against attacks from the left could lead Mitterrand to soften his anti-Soviet rhetoric, we believe it would

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have very little effect on the substance of French-Soviet relations.

5. The center-right parties will seek to use their improved local bases, which have become more important because of Socialist policies aimed at transferring some administrative responsibilities from the central government to local authorities, to prepare a concerted attack on the Socialists in the legislative elections. Faltering public support for the government will also encourage Gaullist leader (and Paris Mayor) Chirac to continue his efforts to emerge as undisputed leader of the opposition. Others, however, including former President Giscard and former Prime Minister Barre, probably will continue to muster substantial support within conservative circles.

### The Economic Challenge

6. In economic matters, Mitterrand will be obliged to navigate in even more uncertain and ideologically troubled waters. After first plotting an expansionary economic course in accord with a long-term strategy to restructure the economy along Socialist lines, domestic imperatives and the international economic environment forced Mitterrand to accept the need for more restrictive policies. These policies have had some success in dampening inflation and stabilizing unemployment, but at a cost in real income for workers, slower growth in social benefits, and growing discontent among Mitterrand's leftist constituency. In addition, the persistence of the external deficit and continued pressure on the franc leave the government little option but to impose a new dose of what the Socialists are calling "economic rigor." Mitterrand's reappointment of Prime Minister Mauroy to head a more streamlined Cabinet reflected his desire to avoid the appearance of renouncing previous policies while in fact moving to adjust them substantially.

7. Mitterrand's domestic problems stem largely from policy choices made early in his administration. Having interpreted his victory (and the Socialist landslide in the subsequent legislative election) as a mandate for Socialist innovation, Mitterrand rapidly moved to:

- Nationalize key industrial firms and most remaining private banks.
- Grant workers increased benefits and shorter working hours.

— Expand public-sector employment.

— Increase transfer payments to low-income groups.

Socialist strategists believed increased public spending would stimulate consumption, encourage new private investment (which had shown little real increase during Giscard's presidency), and reduce unemployment. They also believed the nationalization program would lay the groundwork for reindustrialization by rescuing threatened industries—such as steel and textiles—and enhancing French competitiveness in high-technology fields.

8. Failing to absorb the lesson of the first devaluation of the franc in October 1981—namely, that France could not long pursue expansionary policies while its principal trading partners followed a deflationary course—the government found itself dangerously exposed to external pressures in mid-1982. The growth in consumer spending boosted imports, sending the trade account deeper into deficit and putting new downward pressure on the franc. Meanwhile, business fears of rising inflation and uncertainty about government policy left many French firms unwilling to invest and unable to win back markets at home and abroad.

9. Convinced of the need to change direction following a second devaluation of the franc in June 1982, the government adopted a long-term program of budgetary restraint, at the same time shifting its economic strategy from consumption to investment-led growth through increased government grants and subsidized bank loans to nationalized industries. While the change in course helped ameliorate inflationary pressures, the potentially positive effects on French exports of the depreciation of the franc were vitiated by the continuing sluggish pace of growth in its major trading partners in Europe. A persistent trade imbalance and a weakening currency proved as intractable as the need to rely on heavy borrowing from abroad to delay another politically embarrassing devaluation until after the elections. In retrospect, it is clear that the June 1982 economic policy adjustment only slowed the pace at which French prices and incomes were outstripping those of its trading partners and did not go far enough to reverse the trend toward large foreign trade deficits.

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10. Despite the austerity program's mixed results and uncertain prospects, Mitterrand is unlikely to abandon key aspects of his Socialist program that already are in place. The government, for instance, will continue to direct substantial capital investment into the nationalized sector, hoping to position French industry first to recapture the domestic market to curb unemployment and, over a longer term, to develop "industries of the future" to steal a march on international markets. If private investment continues to lag and lameduck industries continue to absorb a disproportionate share of available resources, a major component of the government's longer term strategy to promote growth with lower inflation and to reverse the trend toward increasing trade deficits in industrial goods will be undermined.

11. Although the beginning of a worldwide recovery and the decline in oil prices will help support his efforts to bring the French economy into better balance, Mitterrand cannot expect these favorable circumstances alone to bail him out. If progress is to be made on reducing inflationary demand and lowering imports, he has no alternative but to cut real consumer purchasing power and get a firmer grip on government spending, including that of the nationalized companies. We expect that the measures complementing the European Monetary System (EMS) realignment of 21 March will begin that process. These probably will include strengthening the government's plan to hold down nominal wage gains and eliminate indexation, at the same time freeing industrial prices to reflect market conditions; making significant cuts in ministerial budgets while programing larger-than-anticipated increases in charges for public services; and taking steps to boost consumer savings. In 1983 the price to be paid for a lower trade deficit and for the government's earlier largess will be little or no real growth in the economy, a continuing decline in investment, and a further increase in the politically sensitive unemployment rate. Although the government will come close to achieving its 8-percent inflation target, it will still be more than twice that anticipated for West Germany. Thus, it is only a matter of time—perhaps a year—before the inflation differential between the two countries again begins to exert pressure for another EMS realignment. (See table.)

12. Although the Mitterrand government shares some of its predecessors' ambivalence toward European Community institutions, it believes the EC is necessary to further its economic and political objectives in Europe and internationally. In particular, Mitterrand views the Community as a means of anchoring West Germany to the West and magnifying the impact of Franco-German collaboration, thus buttressing French security. Within the EC, however, Mitterrand will continue to defend important French economic interests, and this will put Paris at odds with London, for example, over relative contributions to the EC budget, as well as complicate the projected enlargement of the EC to Spain and Portugal.

13. The government's early economic miscalculations and the prospects for continuing slow growth will almost certainly make Paris less flexible on international trade issues. The protectionist urge, never far below the surface in France, will tempt French politicians to see trade restrictions as a way to compensate

France: Economic Indicators

	1980	1981	1982 <sup>a</sup>	1983 <sup>b</sup>
Real commercial GDP <sup>c</sup>	1.2	0.1	1.5	0.5
Real private consumption <sup>c</sup>	1.7	2.2	3.3	-0.8
Real gross fixed investment <sup>c</sup>	2.4	-2.8	-0.9	-2.0
Export volume <sup>c</sup>	2.9	5.1	-2.0	3.4
Import volume <sup>c</sup>	7.3	0.4	3.6	-2.7
Current account balance <sup>d</sup>	-4.2	-4.8	-13.0	-7.1
Consumer price index <sup>c</sup>	13.6	14.0	9.7	9.0
Percentage of unemployment	6.2	7.5	8.4	9.5
General government balance <sup>f</sup>	0.3	-1.3	-3.0	-3.0
Value of currency <sup>g</sup>	4.23	5.43	6.57	7.15

<sup>a</sup> Preliminary.<sup>c</sup> December to December.<sup>b</sup> Projected.<sup>f</sup> Expressed as a percentage of GDP.<sup>c</sup> Percent of change from year earlier.<sup>g</sup> Francs per US dollar.<sup>d</sup> Billion US dollars.

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for the competitive disadvantages caused by lax domestic economic policies and the intractability of world market conditions. Although Mitterrand clearly recognizes the inadequacy of such a solution for a nation with critical import dependencies in energy and raw materials and with aspirations to play a leading role in the international trading system, stubborn trade deficits and the difficulty of restoring competitiveness to French industry in the near term could lead him to accept increased protectionism as a tactical necessity.

14. We believe, however, that the French will generally attempt to employ the EC as their first line of defense, using the Common Agriculture Policy to boost French agricultural exports and pressing the EC for higher barriers to imports from Japan. But Paris also may seek to impose unilateral restrictions similar to those levied last year on Japanese video tape recorders, despite the risk of straining relations between Mitterrand and his EC partners. Moreover, French frustrations will be vented in criticisms of US economic policies. Paris has clearly bridled at US efforts to promote agricultural sales in what it regards as "European" markets in the Third World, and, if such sales continue, it will almost certainly press the EC for retaliatory measures against certain US agricultural exports to Europe. Although we think it unlikely that Mitterrand will seek a public brawl with the United States, lest intemperate attacks on US trade policies adversely affect French-US cooperation on security and other issues, we do not discount the depth of French feeling on the matter. Mitterrand may seek to buttress his own limited options for countervailing actions by warning Washington that US-European trade frictions could impact on larger US interests in Europe, including intermediate-range nuclear force (INF) deployment.

#### East-West Security Issues

15. Like de Gaulle, Mitterrand believes France's security and ability to play an independent role in world affairs depend on the existence of an East-West military balance. The Soviet military buildup, particularly in Europe, has convinced him that France must actively seek to discourage policies—at home and abroad—that could weaken the US commitment to Europe's defense. Although Mitterrand believes the

Soviets want to avoid a military confrontation with the West, he expects them increasingly to attempt to split the Alliance with the aim of extorting major political and economic concessions—especially from the West Europeans. Mitterrand's deep suspicions regarding Soviet aggressive intentions in Europe are widely shared within Socialist and center-right circles.

16. Mitterrand's worries concerning Soviet pressures on the Alliance are heightened by what he and prominent opposition figures fear are trends in West Germany that could undermine Alliance solidarity. The French fear that any West German drift toward "neutralism"—a concern not entirely allayed by Chancellor Kohl's election—would leave France dangerously exposed to Soviet military and political pressures, forcing Paris into an uncomfortably close alignment with Washington.

17. Given these concerns, we believe Mitterrand will continue to place East-West security issues at the top of his foreign policy agenda. Specifically, we believe his government will seek to:

- Maintain and, in some cases, upgrade French defense capabilities.
- Continue the trend toward closer military coordination and cooperation with NATO—while remaining outside its integrated military command structure—and bilaterally with the United States.
- Continue to support NATO INF modernization.
- Strengthen the West German Government's resolve to resist Soviet intimidation and blandishments.

Mitterrand's ability to follow through on pledges to help strengthen Western security will remain limited by a weakened domestic economy and Paris's reluctance to further compromise French "independence."

#### French Defense Policy

18. The Mitterrand government subscribes to the national consensus on the need for a strong defense, including an independent nuclear deterrent. Indeed, the government's emphasis on the independence of France's nuclear deterrent has helped to prevent the appearance of a significant French "peace movement" similar to those elsewhere in Western Europe. Mitter-

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rand managed to minimize controversy during his first year in office by stressing continuity both in defense expenditures and in strategic doctrine. However, the Socialists' shift in economic policy last June, coupled with their own priorities on social programs, has led to reductions in real growth of defense spending for the first time in several years. It also has projected the defense issue into the domestic political arena.

19. While the government's intentions will become clearer when it submits its 1984-88 defense plan for parliamentary approval this spring, we believe the government will continue, as did its conservative predecessors, to give priority to the maintenance and modernization of the strategic nuclear forces. For example, it will continue funding its seventh ballistic missile submarine and two new types of submarine-launched ballistic missiles carrying multiple warheads. It probably also will proceed with plans to deploy a nuclear-armed, air-launched standoff missile in the mid-to-late 1980s and a mobile land-based intermediate-range ballistic missile in the early 1990s.

20. The government will move gradually to enhance French tactical nuclear capabilities as well. For example, it will proceed with plans to deploy the Hades surface-to-surface ballistic missile (which will be capable of reaching targets in Eastern Europe from French territory) in 1991. It also will continue advanced development of an enhanced radiation weapon (ERW), which is intended for the Hades, while postponing any announcement regarding production or deployment of an ERW.

21. Conventional force capabilities will bear the brunt of expected cutbacks in the defense budget, perhaps amounting to a decline in real terms of 1 or 2 percent in 1983. Procurement schedules for armored vehicles, artillery, and combat aircraft probably will slip further. Reductions in overall troop levels of some 30,000 to 50,000 personnel also are likely to occur, particularly in the ground forces, although Paris probably will maintain current levels in West Germany, Africa, and the rapid assistance forces. Despite promises by French defense officials to compensate for eventual reductions in conventional manning levels by increasing the firepower, mobility, and versatility of their forces, we believe further budget cutbacks will limit their operational readiness.

22. Nevertheless, in our judgment, the Mitterrand government will want to play down any reductions in the size or capabilities of French forces. The Socialists recognize that any perceived weakness on national defense would be a significant political windfall for the opposition in the 1986 legislative elections. Moreover, a further French tilt toward a strictly nuclear deterrent strategy and away from conventional forces could fuel West German concerns about French willingness and ability to help defend West German territory from a Soviet conventional attack.

#### Relations With NATO and the United States

23. The Mitterrand government has endorsed the policy, which was quietly pushed by Giscard, of gradually enlarging the scope of French military cooperation with NATO short of reintegration into the military command structure. We believe Mitterrand's perception of the Soviet threat in Europe will be a major factor in prompting him to continue this trend—for example, by broadening discreet French participation in Alliance exercises. On the other hand, France will vigorously oppose anything it regards as "expanding" NATO or amending the North Atlantic Treaty regarding expansion of its roles. Thus, France will oppose any institutionalization of links with Japan, Australia, or New Zealand and will also oppose other US efforts to develop a NATO consensus on "out-of-area" problems, such as the Persian Gulf.

24. The parameters of French military cooperation within the Alliance will remain circumscribed by domestic political sensitivities regarding any perceived loss of French "independence." There are signs, however, that these sensitivities may be on the decline. Mitterrand's decision to host the North Atlantic Council ministerial meeting in June is one indication of the government's willingness to call more public attention to France's role in the Alliance. Mitterrand may see domestic advantage in such displays of French ties to the Alliance; they serve both to parry suggestions from the center-right that the Socialists are unable to maintain close security relationships with France's principal allies—particularly the United States—and to place the Communists in the uncomfortable role of publicly acknowledging agreement with policies they have castigated in the past. Although the tone of Mitterrand's early pronouncements on the need to strengthen the Alliance might have been intended in

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part to reassure nervous Allies that any deal with the French Communists would not involve concessions on foreign policy, we doubt that an eventual breakup of the coalition would lead him to alter present attitudes toward the Alliance.

25. The French, in our view, also may be open to improving bilateral cooperation on security matters with the United States. Mitterrand and his top national security advisers probably will prefer, as did their predecessors, to keep sensitive issues within either military or intelligence channels. In dealing with the United States on defense procurement issues, Paris will stress the need for more US procurement of French arms in order to make the "two-way street" work.

### The Importance of West Germany

26. France's role in the Alliance is heavily influenced by events in West Germany. Although recent French expressions of concern over neutralism and pacifist currents across the Rhine could in part be self-serving—Mitterrand's predecessors sometimes found it useful, in dealings with Washington, to contrast French reliability with West German wavering—they nonetheless reflect a deep and continuing preoccupation. Above all, the French fear that if West Germany were seriously to alienate the United States—for example, by abandoning the 1979 NATO dual-track policy on INF—the ensuing trans-Atlantic recriminations could result in an effective decoupling of the US nuclear guarantee. In that event, Paris may be faced with the dilemma of seeking some sort of bilateral security arrangement with Washington, despite the restrictions this would impose on French policy options both within and outside Europe.

27. As part of its efforts to keep West Germany anchored in the Alliance, the Mitterrand government will continue its policy of strong public and private support for Chancellor Kohl's stand on INF, even at the risk of alienating further some elements of the German Social Democratic Party. Western deployment—and the coupling effect on US and European defense—will remain France's primary concern, but the French probably would accept a balance of US and Soviet INF at reduced numbers as fulfilling the objective, provided Pershing IIs were included in the missile mix.

28. The French also will pursue their intermittent initiatives to improve bilateral defense cooperation with West Germany. As in the past, however, French rhetorical commitments are likely to outpace their willingness to overcome institutional and industrial obstacles to ambitious joint weapon-development programs. Moreover, the usefulness of recently stepped-up security consultations with Bonn will be limited by continued French reluctance to define precisely at what point French forces would be committed to battle and their unwillingness to provide any kind of French nuclear guarantee to West Germany.

### Relations With Moscow

29. We believe there is little prospect that the chill in French-Soviet relations that followed Mitterrand's election will dissipate significantly in the coming year, although even within the government some will argue for more positive gestures toward Moscow. Mitterrand's deep personal aversion to Soviet totalitarianism is shared by the majority of French Socialists and has been conditioned, in part, by their long history of bitter rivalry with the French Communists. In addition, Soviet actions in Afghanistan and Poland have accelerated a trend of rising anti-Soviet sentiment in France—including within the leftist intelligentsia—which dates at least to the invasion of Czechoslovakia in 1968.

30. Mitterrand apparently is skeptical that General Secretary Andropov will institute dramatic changes in Soviet foreign policy. Nevertheless, he sees advantages in sounding out the new leadership. By sending Foreign Minister Cheysson to Moscow in mid-February, Mitterrand hoped to signal that Paris remained interested in maintaining the political dialogue. Disagreement over fundamental issues evident during the Cheysson visit make any significant rapprochement unlikely:

- Paris and Moscow will remain at loggerheads over Soviet efforts to count French nuclear systems—even indirectly—in arms control negotiations. The French will continue to argue that their systems are totally independent of NATO and constitute the minimum necessary to sustain a credible deterrent strategy.
- The French are likely to continue to criticize Soviet policies in Afghanistan, perhaps assuming

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a more public role in opposing the use of chemical warfare there and in Southeast Asia.

- The French also probably will try to keep diplomatic pressure on the Polish Government for a significant liberalization of its internal political and economic policies.

31. We believe Mitterrand would be reluctant to agree to a summit that promises to be purely symbolic. He no doubt recalls the negative domestic reaction—and his own scathing criticism—following Giscard's unproductive meeting with Brezhnev in Warsaw only a few months after the invasion of Afghanistan. He probably would reconsider his position, however, in the event that a US or West German summit threatened to relegate Paris to a marginal role in the East-West dialogue.

32. *Economic Issues.* Like its West European partners, the Mitterrand government believes that long-term Western interests are served by increasing East-West trade. The French have not entirely written off hope that such trade eventually could have a moderating effect on Soviet foreign policy. Although trade with the USSR represents less than 3 percent of overall French trade, it provides jobs for some sectors hard hit by the recession.

33. The French nevertheless recognize the political damage that could be done to the Alliance by a renewed bitter public dispute over East-West trade issues. Thus, they probably will attempt to use their participation in parallel studies on East-West economic relations within NATO, COCOM, and the Organization for Economic Cooperation and Development (OECD), to build a European consensus on guidelines for these relations with the hope of restricting future US policy options. In any event, we believe the French will continue to reject any perceived effort by the United States to develop a comprehensive Western strategy aimed at weakening the Soviet economy. Therefore, they will also oppose expanding the mandate of NATO's Economic Committee to permit any studies believed to be leading in this direction. Mitterrand's opposition to what he has called US efforts to engage in "economic warfare" against the Soviets will continue to receive broad domestic support, including from opposition leaders such as Chirac

and Barre. At the same time, the French will seek to redress their large trade imbalance with the USSR by expanding sales.

34. The Mitterrand government has been more concerned than its predecessors about the transfer to the East of sensitive technologies that could serve to improve Soviet military capabilities. Thus, the French will favor a dual approach to East-West economic issues:

- In areas where the French accept the existence of an "authentic" security dimension, we believe they generally will support—or at least acquiesce in—efforts to tighten Western controls.
- Where the French see the stakes as primarily economic, they will, in our judgment, strenuously oppose any comprehensive approach by the West.

35. The French view of what constitutes an "authentic" security dimension is likely to continue to differ considerably from that of the United States. Although the Mitterrand government has tightened national controls on transfers of sensitive technology to the East, it probably will continue to resist requests from the United States for details on these controls. In COCOM, the French will continue to advocate the establishment of a hardcore list of militarily sensitive technologies, but will oppose what they view as US efforts to cut back the overall volume of East-West trade in areas—such as advanced technology—in which the West Europeans hope to improve their ability to compete with the United States and Japan.

36. France ranks third behind West Germany and Japan as a source of the USSR's imports of Western high technology, accounting for nearly 15 percent of those imports. France's strong position in such fields as computers and telecommunications and its broad access to advanced US technology makes it one of the Soviets' prime targets for acquiring critical high-technology products and manufacturing know-how.

37. The Mitterrand government is becoming more sensitive to the technology-loss problem and seems

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genuinely interested in reaching a common understanding with the United States on the types of technologies that should be subject to stricter controls. For example, Paris apparently desires closer cooperation with the United States in combating illegal acquisitions by the Soviet and East European intelligence services. We believe Paris would approve restrictions on discrete items or technologies on a case-by-case basis, provided a strong case can be made for their strategic military significance and foreign competitors would not profit at the expense of French firms.

### France and the Third World

38. Mitterrand believes his Third World policies complement both his domestic agenda and his stand on East-West issues. Expanding markets in the Third World is essential, in his view, to French—and West European—economic recovery. To such pragmatic concerns, which have traditionally influenced French policy toward the LDCs, must be added Mitterrand's attachment to socialist humanitarian ideals. Mitterrand also remains firmly wedded to the notion that Soviet gains in the Third World eventually can be halted or even reversed by subtle diplomacy, economic support, and occasional military assistance to "progressive" regimes. His personal role in weaning African nationalists such as Ivory Coast President Houphouet-Boigny from the Communists during the 1950s, combined with his success in reducing the Communist electorate at home, apparently has helped to convince him that France, especially under Socialist leadership, can outmaneuver the Communists in the Third World.

39. The Socialist overtones of French Third World policies have been muted over the past 22 months, however. French economic interests have taken increasing precedence in Mitterrand's calculations, except in the area of nuclear exports, where Paris shows no signs of deviating significantly from the restrictive policy on sensitive nuclear transfers in place at the end of the Giscard administration. Although the French will probably replace Iraq's Osirak reactor destroyed by Israel in June 1981, they are likely to supply only low-enriched uranium and almost certainly would stipulate that the spent fuel be returned to them.

40. *Africa.* The shift from early Socialist rhetoric and actions, which suggested a broad reappraisal of Paris's strategy, toward the pursuit of traditional French interests has been most apparent in Africa.

Mitterrand's personal familiarity with African issues and leaders has been an important factor in this evolution. So also have the reminders—from the large French establishment in Africa as well as from worried African presidents—that France is a superpower in Africa and that any indication of an impending French retreat could tempt African leaders (and their rivals) quickly to search out new patrons in Washington or Moscow.

41. The Socialists have adapted, albeit reluctantly, to the demands of France's "privileged relationships" in Africa. Mitterrand, for example, has reaffirmed close French ties to Zaire and Gabon, whose leaders had been previously criticized by the Socialists as dictatorial. The French military presence has been maintained, as well as the important French presence in several African administrations. Although political relations between Paris and Pretoria have cooled, the French have carefully tried to insulate their substantial economic relations with South Africa.

42. We believe Mitterrand will remain concerned about the potential for Soviet, Cuban, and Libyan meddling in Africa, particularly in areas adjacent to French-speaking states. If faced with a serious Libyan threat to Chad, for example, we think the French would increase their modest economic and military assistance to Habre, despite their reservations over Mitterrand's ability to stabilize the situation. Paris also can be expected to pursue its efforts to improve ties to "progressive" regimes—including Angola, Benin, Congo, Seychelles, and Mozambique—where the French believe there are opportunities to reduce Soviet influence.

43. The Mitterrand government will keep a wary eye on US activities in Africa, with some officials concerned that the United States is seeking to expand its influence in Africa at French expense. We think it unlikely, however, that French concerns about competition with the United States in Africa will reach the levels evident under previous governments. On the contrary, we think Paris will remain interested in improving discreet cooperation with Washington in Africa, although on a case-by-case basis. For example:

- The French probably will see advantages in close consultations with the United States on Chad, in part as a means of encouraging the United States to increase its assistance to Habre.

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- The French also probably will want to explore possible diplomatic and economic pressures, in conjunction with the United States, to counter Libyan activities elsewhere in Africa. They probably would not, however, join any US attempt to isolate Qadhafi diplomatically, fearing that such a move could provoke a dangerous response by the Libyan leader, enhance his prestige among Third World states, and push him closer to the Soviets.
- We believe the French will work within the Contact Group to attempt to further a settlement on Namibian independence that seeks to meet at least some US concerns regarding the issue of a Cuban troop withdrawal from Angola. Paris, however, will continue publicly to disassociate itself from efforts to link the two questions.
- In Zaire, the French will continue to participate in a coordinated Western strategy to press Mobutu on economic reforms.

44. In North Africa, we believe the French will pursue their effort, which has already met with some success, to improve bilateral relations with Algeria while simultaneously maintaining close ties with Morocco. In working for broader, improved ties between Rabat and Algiers, Paris is hopeful that out of that rapprochement will come a Western Sahara settlement.

45. French domestic economic problems, however, make it increasingly difficult for Paris to meet its economic aid commitments to Africa. As a result, the Mitterrand government will continue the trend apparent in recent months to give first priority to its traditional French-speaking partners, thus moderating some of its ambitious plans to expand efforts (begun under Giscard) to develop French relations with English-speaking and Portuguese-speaking African countries. The French also are likely to urge the United States to increase its development assistance to Africa.

46. *The Middle East.* Mitterrand has attempted to restore a measure of balance in French policy toward the Middle East, which had a decidedly pro-Arab bias under his predecessors. His policies to date, however, have neither lived up to initial Israeli expectations nor justified early Arab concerns. Although Mitterrand

remains committed to ensuring Israel's right to exist within secure and internationally recognized borders—a commitment influenced, in part, by his close ties with Israeli Labor Party leaders—he also supports eventual creation of a Palestinian state.

47. Mitterrand's early hopes of brokering a general Middle East settlement were dashed by a combination of Israeli intransigence and Arab disunity. The importance of French trade and investment links to Arab states also limited Paris's room for maneuver. At the same time, a flareup of terrorist incidents in France—at least some of which were related to the Arab-Israeli conflict—apparently convinced Mitterrand and his top advisers that continued violence in the Middle East could pose a serious threat to French internal security.

48. We believe Mitterrand has concluded that only the United States is in a position to extract concessions from Israel and that French interest in obtaining a general peace settlement would be best served by supporting President Reagan's initiative. The French are likely to remain firm in their demands for withdrawal of foreign forces from Lebanon and for maintenance of the integrity of the country. Strong Lebanese interest in cooperating closely with Washington also has convinced Paris to seek to maintain its traditional influence in Lebanon by participating in the multinational force and by coordinating French and US assistance to the Lebanese armed forces.

49. Should the President's initiative appear to be stalled, however, we believe Paris would revive behind-the-scenes efforts to develop an Arab consensus on an alternative. In doing so, the French would seek to work closely with the Egyptians and Saudis, both to put new pressure on Washington and to extract some concessions from the PLO—for example, an explicit recognition of Israel's right to exist. Mitterrand probably would view some increased political recognition of the PLO as strengthening what the French see as a moderate faction led by Arafat. However, we believe Mitterrand would refuse to meet with Arafat, fearing that the gesture would seriously damage relations with Israel and alienate many French Socialists, unless Arafat offered some dramatic political concessions.

50. Elsewhere in the region, we believe the Mitterrand government will continue the policy approach

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that it inherited from the Giscard administration. For example:

- The French will maintain their strong financial, military, and political support for Iraq in its war with Iran. Relations with Syria will continue to be cool, in part because of French ties to Iraq, Syria's close ties to the Soviets, and French suspicions regarding Syrian support for international terrorists.
- The French will continue to push arms sales in the region, particularly to conservative Persian Gulf governments. Mitterrand, like his predecessor, believes arms sales can serve as a lever for French influence—and an alternative to that of the superpowers—in the region. Moreover, the sales will become increasingly important in French efforts to maintain a strong and fully employed arms industry.
- Paris also will favor continued discreet Western military cooperation in the Indian Ocean to defend the oil supply routes. It will insist, however, that such cooperation remain within ad hoc bilateral or multilateral channels outside the NATO context.

51. *Latin America.* The prospects for French policy in Latin America are less clear. Longstanding ideological biases still cloud the thinking of many Socialists—including Mitterrand—on the origins and nature of leftist and revolutionary movements there. According to a theory widely accepted in Socialist circles, for example, the United States repeatedly has pushed Latin progressives into Soviet or Cuban hands by its support of repressive regimes. At the same time, the Mitterrand government has been anxious to maintain and improve significant commercial and military supply relationships with some Latin governments—such as Argentina—whose authoritarian policies have been anathema to Socialists.

52. Although French policy in the area has been complicated by an evident lack of centralized authority and the possibility exists that poorly prepared or coordinated initiatives may surface with little or no advance warning, we believe the Mitterrand government has moderated its early inclination to take highly visible actions, including the French-Mexican declaration on El Salvador in August 1981 and the arms sale

to Nicaragua in December 1981. Paris apparently was chastened by the negative reaction—from both the United States and moderate governments in the region—to the joint declaration and the arms sale, and the recent appointment of Antoine Blanca as a special roving ambassador for Latin America was intended to focus greater attention on the area, heretofore somewhat neglected by France.

53. Although Paris will continue to criticize US policies in Central America, we think it unlikely that the French will, in the next year or two, launch any dramatic unilateral or bilateral initiative. Specifically, we do not believe the French will, barring a radical change in Sandinista policies, agree to a new arms sale, although they can be expected to fulfill the 1981 contract. At the same time, French officials will pursue behind-the-scenes efforts in conjunction with the Spanish to develop a consensus among moderate governments—including Mexico, Costa Rica, Venezuela, and Colombia—for a comprehensive plan to eliminate outside intervention in the region.

54. In line with these efforts, we believe Paris will continue to probe for opportunities to encourage a lessening of tension between the United States and Cuba. The French are likely to continue to see such a development as the key to peace in the region. Mitterrand is unlikely, however, to risk a major clash with the United States by meeting with Castro unless the French President believes there is a good chance for obtaining a significant Cuban concession—for example, a partial withdrawal of Cuban troops from Angola.

55. *Asia.* French policy in Asia similarly has been modified by increasingly pragmatic considerations. For example, Mitterrand probably would have followed through last year on his campaign promise to recognize North Korea had the South Koreans not threatened severe economic retaliation. Although French officials can be expected to reiterate their intention to recognize North Korea, we believe they will try to accomplish this goal by promoting a cross-recognition formula acceptable to the South Koreans—who would insist on recognition by major Communist powers—rather than by a simple bilateral arrangement with Pyongyang.

56. Mitterrand's visit to China this spring will provide some indication of the future direction of French-

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Chinese relations, which have been generally cordial but unproductive. The French, for their part, will be particularly anxious to complete agreement on a proposed sale of nuclear power reactors to China. Although the French may agree to sell limited quantities of relatively sophisticated "defensive" arms, we do not think a significant arms supply relationship is in the offing.

57. In Southeast Asia, we believe Paris will have little room for maneuver. France recognizes neither the Vietnamese-backed Heng Samrin regime in Phnom Penh nor the anti-Vietnamese resistance coalition. Although the Mitterrand government has sought to improve relations with Vietnam—for example, by offering limited economic assistance—Paris has given no indication that it intends to move toward recognition of the Heng Samrin regime. The French will use occasions such as Foreign Minister Cheysson's scheduled visit to Hanoi in late March to probe for signs of Vietnamese movement on the Kampuchean issue. We believe, however, that expressions of concern by ASEAN nations—stiffened by veiled warnings that French efforts to expand their markets in ASEAN might suffer if Paris is too friendly to Hanoi—will limit any French rapprochement with Vietnam. Should the French, nevertheless, attempt to play a mediating role on the Kampuchean issue, we believe ASEAN would be unlikely to accept Paris as an honest broker. As for Laos, there apparently has been no movement toward developing significant economic or cultural ties following the Mitterrand government's decision to reestablish diplomatic relations in December 1981.

#### Implications for the United States

58. We believe Mitterrand will continue to place a high value on good relations with the United States. His preoccupation with the need to strengthen the Western Alliance against Soviet pressures will favor a broad convergence of French and US views on East-West security issues. Like his conservative predecessors, however, Mitterrand will remain sensitive to any perceived slight to French sovereignty and freedom of action. Thus, for example, he will resist any effort by the United States that he believes aims at controlling—either directly or through France's European partners—French political and trade ties with the East.

59. Outside Europe, France will remain a difficult but occasionally helpful partner for the United States. Although Paris will continue to stress its independence and occasionally snipe at US insensitivity toward developing countries, Paris will continue to see both tactical and long-term advantages in close—and preferably closely held—cooperation with Washington in parts of the Middle East and Africa. The Mitterrand government's tentative search for a peacemaker role in Central America will complicate US policy in the region, but we believe Paris will be content to remain a marginal actor there.

60. France's continuing domestic economic problems will remain the greatest challenge to the internal cohesiveness of the Mitterrand government. Although we believe it unlikely that these problems will pose any significant threat to French domestic political stability, they could lead to new frictions with the United States, particularly in the trade arena.

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